

Message Text

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ACTION EUR-25

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FM AMEMBASSY COPENHAGEN

TO SECSTATE WASHDC 8350

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E.O. 11652: NA

TAGS: EAGR, ENRG ECON DA

SUBJ: EFFECT OF ENERGY SITUATION ON FERTILIZER USAGE

REF: STATE 005278 FASTO CIR 296

PASS AGRICULTURE

1. ALTHOUGH GOVERNMENT ISSUES FERTILIZER CONSUMPTION ESTIMATES ANNUALLY, NEITHER GOVERNMENT NOR INDUSTRY PUBLISHES PRODUCTION FIGURES. DANISH FERTILIZER PRODUCTION CAPACITY IS UNOFFICIALLY ESTIMATED AT ABOUT 1.0 MILLION METRIC TONS PER YEAR ALL BASED ON IMPORTED RAW MATERIALS. THE PRODUCTION PATTERN IN RECENT YEARS HAS BEEN APPROXIMATELY 575,000 MT OF NPK AND 125,000 MT OF N. WE ESTIMATE THIS PRODUCTION TO BE EQUIVALENT TO ABOUT 87,000 MT OF NITROGEN, 43,000 MT OF PHOSPHATES AND 110,000 T OF POTASH. STOCK DATA IS NOT AVAILABLE AND IT IS ONLY ASSUMED CARRY-OVERS REMAIN AT MORE OR LESS CONSTANT LEVELS.

2. SUPPLY AND DISTRIBUTION OF FERTILIZER IN 1,000 MT:M

1971/72 1972/73 1973/74(1)

PRODUCTION(1) 975 975 950

IMPORTS(2) 1,013 1,290 1,200

EXPORTS 54 20 20

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CONSUMPTION 1,683 1,805 1,850

(1) ESTIMATED

(2) INCLUDES IMPORTS OF LIQUID(E.G. ABOUT 50, 000 MT IN 72/73)
USED FOR DOMESTIC PRODUCTION OF NPK AND N FERTILIZER.

3. AVERAGE FERTILIZER PRICES TO WHOLESALERS (PRICES TO FARMERS
ABOUT 10 PERCENT HIGHER):

	CALCIUM NITRATE	SUPERPHOSPHATE	NPK 16-5-12
	15.5 PERCENT	7.8 PERCENT	
	-----KRONER PER 100 KILO-----		
1970	30.06	25.73	48.10
1971	30.48	26.32	48.91
1972	30.92	27.26	49.95
KAN-OCT 1973	31.28	27.83	52.48
JANUARY 1974	34.15	30.35	64.30

QUOTATION EX TANK FOR LIQUID AMMONIA IN JANUARY 1974 IS 0.97
KRONER/KILO COMPARED WITH 0.46 KRONER/KILO IN JANUARY 1973.

4. DANISH FERTILIZER CONSUMPTION IN 1,000 MT NUTRIENT BASIS:

	NORMAL		REDUCED	
	1971/72	1972/73	1973/74(1)	1974/75(1)
NITROGEN	308.3	329.4	348	365 340
PHOSPHATE	58.1	62.6	66	70 60
POTASH	158.4	168.9	177	185 170

(1) ESTIMATE

THE ABOVE 1974/UT QUOTE NORMAL UNQUOTE FIGURES ARE FORECASTS OF
WHAT WE WOULD EXPECT CONSUMPTION TO BE IF ADEQUATE SUPPLIES ARE
AVAILABLE AT OR MODERATELY ABOVE CURRENT LEVELS. THE "REDUCED"
FIGURES ARE FORECASTS OF WHAT WE WOULD EXPECT CONSUMPTION
MIGHT BE IF PRICES RISE ANOTHER 50 PERCENT.

5. THE LOCAL INDUSTRY EXPECTS SUPPLIES TO BE ADEQUATE FOR
1973/74 PROVIDED ALL REMAINING CONTRACTS ARE FULLFILLED BY FOREIGN
SUPPLIERS. THE BULK OF THE 1973/74 REQUIREMENT IS ALREADY IN
COUNTRY AND DISTRIBUTED TO FARMERS. LOCAL SOURCES VIEW
EUROPEAN PRODUCTION CAPACITY AS LARGE ENOUGH TO MEET EUROPEAN
DEMAND AND THEY DO NOT AT PRESENT ANTICIPATE ACTUAL SHORTAGES OF
FERTILIZER PER SE. 1974/75 CONSUMPTION REQUIREMENT IS VIEWED
AS BEING PRIMARILY A FUNCTION OF PRICE- THE RELATIONSHIP BETWEEN
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THE FERTILIZER COSTS AND THE PROBABLY PRICES OF THE FARM COMMO-
DITIES PRODUCED. ALTHOUGH TOTAL NUTRIENT USAGE HAS BEEN INCREASE-
ING ABOUT 7 PERCENT ANNUALLY DANISH FARMERS HAVE BEEN NEAR TOP
OF FERTILIZER RETURN CURVE AND WILL NO DOUBT CUT USAGE IF PRICE
RELATIONSHIP BECOME UNFAVORABLE.

6. ON BASIS OF PRESENT OUTLOOK, FERTILIZER SUPPLY
SITUATION IS EXPECTED TO HAVE RELATIVELY LITTLE DIRECT NET EFFECT ON

1974/75 AGRICULTURAL PRODUCTION AND TRADE. WEATHER, PRICES AND TOTAL PRODUCTION COST FACTORS ARE EXPECTED TO BE MORE IMPORTANT INFLUENCES.

7. DENMARK'S GNP ESTIMATES AND FORECASTS AT 1970 PRICES ARE US \$20.7 BILLION IN CALENDAR 1972, US \$21.8 IN 1973, AND US \$22.3 IN 1974. THESE FIGURES REFLECT A 5.2 PERCENT GROWTH IN 1972, 5.5 PERCENT IN 1973, AND 2.2 PERCENT IN 1974. THE 1974 FORECAST IS OF COURSE MOST TENTATIVE AT THIS TIME. SOME GOVERNMENT SOURCES HAVE FORESEEN A ZERO GROWTH RATE THIS YEAR BUT OTHER SOURCES ARE CURRENTLY LESS PESSIMISTIC.
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